

Message Text

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13

ACTION EUR-25

INFO OCT-01 IO-12 ADP-00 CIAE-00 DODE-00 PM-09 H-02 INR-10

L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

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----- 025352

R 100900 Z APR 73

FM AMEMBASSY BELGRADE
TO SECSTATE WASHDC 5906
INFO AMEMBASSY BUDAPEST
AMEMBASSY BUCHAREST
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY WARSAW
USMISSION EC BRUSSELS
USMISSION GENEVA
USMISSION OECD PARIS
AMCONSUL ZAGREB

LIMITED OFFICIAL USE BELGRADE 1508

E. O. 11652: N/ A

TAGS: EFIN, EGEN, YO

SUBJ: ANTI- CORRUPTION DRIVE IN YUGOSLAVIA

REF A. BELGRADE 1426 (NOTAL) B. BELGRADE 1460 (NOTAL) C.
ZAGREB A-148 (10/6/72)(NOTAL) D. ZAGREB A-174 (12/15/72)
(NOTAL) E. BELGRADE A-98 (NOTAL)

SUMMARY: BUSINESS SCANDALS CONTINUE TO BE UNCOVERED AND CONTINUE
TO FURNISH AMMUNITION TO TITO AND LCY IN THEIR DRIVE AGAINST
" ANARCHO- LIBERALISM, BUREAUCRACY, AND TECHNOCRACY." REASONS WHY
SCANDALS COMING TO LIGHT ARE BOTH ECONOMIC-- TIGHTER CREDIT
AVAILABILITY, CLOSER SCRUTINY OF BUSINESS TRANSACTIONS BY
SOCIAL ACCOUNTING SERVICE AND WORKERS' COUNCILS-- AND
POLITICAL-- EFFORT TO OVERCOME YOUTH AND WORKER LETHARGY AND
ALIENATION VIS- A- VIS PARTY BY SHOW OF VIGILANCE TO ELIMINATE
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ECONOMIC COORRUPTION. END SUMMARY.

1. IN SPEECHES MADE ON HIS RECENT TOUR THROUGH SERBIA (REFTTEL A AND B), TITO CALLED FOR STRICTER PUNISHMENT OF ECONOMIC CRIMINALS. HIS CALL FOR CONTINUED EXPOSURE OF CULPRITS WITHIN AND WITHOUT LCY INDICATES THAT DRIVE AGAINST EMBEZZLEMENT, CHICANERY AND SHADY BUSINESS PRACTICES WILL CONTINUE UNABATED.

2. SEVERAL MAJOR, AND A HOST OF SMALLER SCANDALS HAVE BEEN EXPOSED IN PRESS IN RECENT MONTHS. AGROKOMBINAT (REFAIR C) AND METALIUM (REFAIR D) SCANDALS IN CROATIA, ARREST OF YUGOSLAV AGRICULTURAL BANK DIRECTOR GENERAL (BELGRADE 5883) AND AN EARLIER EMBEZZLEMENT IN THIS BANK HAVE BEEN REPORTED IN SOME DETAIL. MORE RECENT SCANDALS INCLUDE INTER ALIS DISMISSAL OF JUGOPETROL DIRECTORS FOR ALLEGED FORGERY, AND OTHER BUSINESS MALPRACTICES; THE ARREST OF THE YUGOSLAV AUTOMOBILE CLUB' S DIRECTOR FOR THEFT, ARREST OF THE DIRECTORS, AND RECENT BANKRUPTCY, OF LARGE BELGRADE CONSTRUCTION FIRM KOMFOR; AND FOREIGN EXCHANGE VIOLATIONS IN SVETI STEFAN HOTEL ENTERPRISE.

3. FOREGOING IS BY NO MEANS COMPLETE LIST OF SCANDALS. TAX EVASION PROSECUTIONS ARE COMMON OCCURENCES AROUND COUNTRY. BUSINESS AND ECONOMIC CRIMES ARE NOW VIOLATIONS UNDER CRIMINAL AS WELL AS CIVIL CODE (REFAIR E).

4. REASONS WHY SERIES OF ECONOMIC CRIMES ARE COMING TO LIGHT AT THIS TIME ARE BOTH ECONOMIC AND POLITICAL IN NATURE. ON ECONOMIC SIDE, INCREASED SCRUTINY OF BUSINESS RECORDS ON PART OF SOCIAL ACCOUNTING SERVICE IN CONNECTION WITH ENFORCING STABILIZATION MEASURES HAS PLAYED A LARGE PART. STRICTER CONTROL OVER DOMESTIC AND FOREIGN CREDIT AVAILBILITY HAS SEVERELY RESTRICTED WHEELERS AND DEALERS AND LIMITED THEIR ABILITY TO COVER THEIR TRACKS. RESTRICTIONS ON WAGES THAT CAN BE PAID IN FIRMS WITH UNPAID DEBTS AND UNCOVERED INVESTMENTS HAVE CERTAINLY INSPIRED THEIR EMPLOYEES TO INQUIRE MORE CLOSELY INTO FINANCIAL OPERATIONS OF THESE FIRMS. POLICE ORGANS HAVE BEEN GIVEN INCREASED POWER BY REVISED CODE CRIMINAL PROCEEDINGS TO EXAMINE BOOKS OF SUSPECT ENTERPRISES.

5. POLITICAL MOTIVATION OF CAMPAIGN SEEMS TO US TO BE PART AND PARCEL OF TITO DRIVE TO RID LCY OF " LIBERALISTIC, TECHNOCRATIC, AND BUREAUCRATIC" INFLUENCES, I. E., THOSE INDIVIDUALS IN POSITIONS OF LEADERSHIP WHO ARE VULNERABLE FOR PAST MISTAKES OR, MORE OFTEN, LIMITED OFFICIAL USE

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WHO FAIL TO GET ON THE CURRENT BANDWAGGEN QUICKLY ENOUGH. HIGHLY VISIBLE DRIVE AGAINST ECONOMIC CRIME ALSO SEEMS TO US TO BE PART OF EFFORT TO LESSEN WORKER AND YOUTH ALIENATION FROM LCY, A

PRIMARY CONCERN OF TITO AND PARTY LEADERSHIP. SCAPE-
GOATS ARE AN ESSENTIAL PROOF OF THE SERIOUSNESS OF THE ENDEAVOR.

6. FACT OF MATTER IS THAT THERE HAS BEEN A SIZEABLE AMOUNT OF
CORNER- CUTTING AND WHEELING- DEALING IN THE FREE- AND- EASY

ATMOSPHERE OF HIGH INFLATION AND RAPID EXPANSION IN RECENT
YEARS. WHILE BETTER BUSINESS ETHICS PROBABLY CANNOT BE LEGISLATED
INTO FORCE, CLOSER SCRUTINY OVER CREDITS, BETTER TAX LAW
ENFORCEMENT AND STRICTER PUNISHMENT FOR OFFENDERS COULD REDUCE
NUMBER OF BUSINESS SCANDALS TO MORE ACCEPTABLE LEVEL IN FUTURE.
TOON

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EC BRUSSELS
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